

**DIRECT TESTIMONY**

of

**PETER LAZARE**

Senior Economic Analyst  
Rates Department  
Financial Analysis Division  
Illinois Commerce Commission

Ameren Illinois Utilities

Proposed Demand Response Rider

Docket No. 07-0539

December 14, 2007

OFFICIAL FILE  
I.C.C. DOCKET NO. 07-0539  
Staff Exhibit No. 3.0 & 3.1  
Witness \_\_\_\_\_  
Date 1/4/08 Reporter \_\_\_\_\_

1       **Introduction**  
2

3       **Q.     Please state your name and business address.**

4       A.     My name is Peter Lazare. My business address is 527 East Capitol Avenue,  
5             Springfield, Illinois 62701.  
6

7       **Q.     What is your present position?**

8       A.     I am a Senior Rate Analyst with the Illinois Commerce Commission  
9             ("Commission"). I work in the Financial Analysis Division on rate design and  
10            cost-of-service issues.  
11

12      **Q.     What is your experience in the regulatory field?**

13      A.     My experience includes fifteen years of employment at the Commission where I  
14             have provided testimony and performed related ratemaking tasks. My testimony  
15             has addressed cost-of-service, rate design, load forecasting and demand-side  
16             management issues that concern both electric and gas utilities.  
17

18            Previously, I served as a Research Associate with the Tellus Institute, an energy  
19            and environmental consulting firm in Boston, Massachusetts. I also spent two  
20            years with the Minnesota Department of Public Service as a Senior Rate Analyst,  
21            addressing rate design issues and evaluating utility-sponsored energy  
22            conservation programs.  
23

24 **Q. Please discuss your educational background.**

25 A. I received a B.A. in Economics and History from the University of Wisconsin and  
26 an M.A. in Economics from the University of Illinois at Springfield in 1996.

27

28 **Q. What is the subject of your testimony in this proceeding?**

29 A. I discuss the method by which the Ameren Illinois Utilities propose to recover the  
30 costs of its demand response program from ratepayers.

31

32 **Q. Please describe the Companies' proposed recovery mechanism for these**  
33 **costs.**

34 A. The Ameren Illinois Utilities propose to implement a cost tracking rider which it  
35 terms Rider EDR for these costs. The acronym EDR stands for Energy Efficiency  
36 and Demand Response ("EE-DR") Cost Recovery. (Ameren Ex. 5.0, p. 2, lines  
37 40-41)

38

39 **Q. How are costs to be recovered under Rider EDR?**

40 A. The Company proposes to implement a single per-kWh charge to be recovered  
41 from all retail customers for the costs associated with the EE-DR programs. The  
42 calculation of the charge will begin with the projected program costs net of  
43 amounts to be refunded or collected from ratepayers. That figure will then be  
44 divided by projected delivered kWhs. The same per-kWh charge will apply to  
45 customers of all three Ameren Illinois utilities. (Ameren Ex. 5.0, p. 7, lines 50-55)

46

**Q. What reason is provided for adopting a single charge for all Ameren Illinois Utilities?**

A. Ameren states that Section 12-103 of the Public Utilities Act requires that affiliated utilities with a common parent should be considered a single electric utility. Therefore, the proposal is to apply a single rider for all three Ameren Illinois Utilities. (Ameren Ex. 5.0, p. 3, lines 44-47)

**Q. What aspects of the proposed rider will you discuss?**

A. I focus solely on the design of the charges to be recovered from ratepayers. My testimony does not address in any manner the level of costs to be collected or the kinds of costs appropriate for recovery under Rider EDR.

**Q. Do you find it reasonable to apply a single rider to all three Ameren Illinois Utilities?**

A. Yes. Because the Ameren Illinois Utilities are considered a single utility for the purposes of energy efficiency and demand response, it would be reasonable to apply a single rider to all Ameren customers in Illinois to recover the associated costs.

**Q. What do you conclude about the proposal to recover these costs through a uniform per-kWh charge?**

A. I consider this a reasonable recovery method.

70 **Q. Please explain.**

71 A. The recovery method is reasonable because these are usage-related costs that  
72 confer benefits on all Ameren Illinois customers.

73

74 **Q. Why are these costs primarily related to usage?**

75 A. The goals of the program are divided into two components, usage and demand.  
76 The specific usage objectives are "to reduce load based on energy delivered in  
77 the prior year by 0.2 percent in the year commencing June 1, 2008 and rising to  
78 2.0 percent in 2015." (Ameren Ex. 1.0, p. 4) The demand objectives are 0.1  
79 percent reductions in peak demand over the prior year. (Public Act 095-0481,  
80 Section 12-103(c))

81

82 The above objectives indicate that usage reduction is a higher priority for the  
83 program than demand reduction. In the first year, usage is expected to be  
84 reduced by 0.2% compared with 0.1% for demand. By the third year, usage  
85 reduction climbs to 0.6% while demand reduction remains at 0.1%.

86

87 Clearly, usage reduction is the highest priority for the program and it would be  
88 reasonable to conclude that the programs are primarily usage-related.

89

90 **Q. What does this conclusion indicate about the recovery mechanism for**  
91 **these costs?**

A. Since the program serves primarily to effect usage reductions, the attendant costs are most appropriately recovered on a per-kWh usage basis as the Companies propose.

**Q. What is the second issue concerning the Companies' proposed charge?**

A. The issue concerns whether the per-kWh charges should be uniform for all ratepayers as Ameren proposes.

**Q. Do you agree with the Companies' proposal to institute a uniform charge for all ratepayers?**

A. Yes, I do based on three factors.

**Q. What is the first factor?**

A. The proposed expenditures on the program appear to be well-distributed among customer groups. Ameren expects to directly spend more than \$60 million on the programs over the years 2008-2010 (Ameren Ex. 2.1, p. 4) Of that total, almost half (\$25.8 million) will be spent on programs for commercial and industrial customers. (Ameren Ex. 2.1, p. 4)

While a uniform per-kWh charge will not ensure that charges will match costs for all customer groups, it recognizes, in a reasonable manner, that expenditures are being made for all major customer groups.

**Q. What is the second factor supporting a uniform charge?**

115 A. The proposed programs will generate consumer benefits for all of Ameren's retail  
116 customers. To the extent the program curbs ratepayer usage levels, that will  
117 exert downward pressure on electricity prices in the Central and Southern Illinois  
118 market by reducing demand. Since this is a common benefit for electricity  
119 consumption as a whole, it would make sense to recover associated program  
120 costs on an equal basis across all electricity usage by Ameren customers.

121  
122 **Q. What is the third factor supporting a uniform charge?**

123 A. That factor is the environmental benefit ratepayers will receive from usage  
124 reductions effected by Ameren's programs. The significant adverse  
125 environmental impacts associated with electricity production have been well  
126 documented. One such issue concerns the contribution of fossil fuel consumption  
127 to Global Warming. The US Environmental Protection Agency describes the  
128 problem as follows:

129  
130 Greenhouse gases are necessary to life as we know it, because they keep  
131 the planet's surface warmer than it otherwise would be. But, as the  
132 concentrations of these gases continue to increase in the atmosphere, the  
133 Earth's temperature is climbing above past levels. According to NOAA and  
134 NASA data, the Earth's average surface temperature has increased by  
135 about 1.2 to 1.4°F in the last 100 years. Eleven of the last twelve years  
136 rank among the 12 warmest years on record (since 1850), with the  
137 warmest two years being 1998 and 2005. Most of the warming in recent  
138 decades is very likely the result of human activities. Other aspects of the  
139 climate are also changing such as rainfall patterns, snow and ice cover,  
140 and sea level. (<http://www.epa.gov/climatechange/basicinfo.html>, viewed  
141 December 5, 2007)  
142

143 To the extent that usage reductions under Ameren's programs lower the  
144 production of electricity by plants using fossil fuels, that will help address the  
145 issue of Global Warming and thereby benefit Ameren ratepayers as a whole.  
146 Since this program benefit pertains to usage by all Ameren ratepayers, it  
147 provides support for collecting program costs through a uniform usage charge for  
148 all Ameren ratepayers.

149

150 **Q. Does this complete your direct testimony?**

151 **A.** Yes, it does.

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

Commonwealth Edison Company )  
)  
Petition for Approval of the Energy )  
Efficiency and Demand Response Plan )  
pursuant to Section 12-103(f) of the )  
Public Utilities Act. ))

Docket No. 07-0540

AFFIDAVIT OF PETER LAZARE

State of Illinois )  
)  
County of Sangamon )

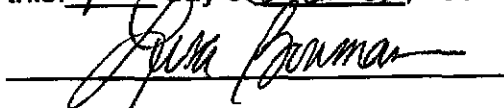
I, Peter Lazare, being first duly sworn on oath, depose and state that I am the same Peter Lazare identified in the Direct Testimony; that I have caused the following Direct Testimony; the following statements are true and correct to the best of my knowledge and belief as of the date of this Affidavit.

Further affiant sayeth naught.

  
Peter Lazare

Subscribed and sworn to before me

this 14th day of December, 2007

  
Notary Public

